

CLAUSE I-97 – PREDETERMINED INDIRECT COST RATES (August 2002)

- (a) Notwithstanding the Allowable Cost and Payment clause of this subcontract, the allowable indirect costs under this subcontract shall be obtained by applying predetermined indirect cost rates to bases agreed upon by the parties, as specified below.
- (b) Not later than 90 days after the expiration of the Subcontractors fiscal year, the Subcontractor shall submit to the cognizant Subcontracting Officer under Subpart 42.7 of the Federal Acquisition Regulation (FAR) and, if required by agency procedures, to the cognizant Government audit activity, proposed predetermined indirect cost rates and supporting cost data. The proposed rate shall be based on the Subcontractor's actual cost experience during that fiscal year. Negotiations of predetermined indirect cost rates shall begin as soon as practical after receipt of the subcontractor's proposal.
- (c) Allowability of costs and acceptability of cost allocation methods shall be determined in accordance with FAR Subpart 31.3 in effect on the date of this subcontract.
- (d) Predetermined rate subcontracts in effect on the date of this subcontract shall be incorporated into the subcontract Schedule. The Subcontracting Officer and Subcontractor shall negotiate rates for subsequent periods and execute a written indirect costs rate subcontract setting for the results. The subcontract shall specify –
  - (1) The agreed-upon predetermined indirect cost rates,
  - (2) The bases to which the rates apply,
  - (3) The fiscal year (unless the parties agree to a different period) for which the rates apply, and
  - (4) The specific items treated as direct costs or any changes in the items previously agreed to be direct costs. The indirect cost rate subcontract shall not change any monetary ceiling, subcontract obligation, or specific cost allowance or disallowance provided for in this subcontract. The subcontract is incorporated into this subcontract upon execution.
- (e) Pending establishment of predetermined indirect cost rates for any fiscal year (or other period agreed to by the parties), the Subcontractor shall be reimbursed either at the rates fixed for the previous fiscal year (or other period) or at billing rates acceptable to the Subcontracting Officer, subject to appropriate adjustment when the final rates for that period are established.
- (f) Any failure by the parties to agree on any predetermined indirect cost rates under this clause shall not be considered a dispute within the meaning of the Disputes clause. If for any fiscal year (or other period specified in the Schedule) the parties fail to agree to predetermined indirect cost rates, the allowable indirect costs shall be obtained by applying final indirect cost rates established in accordance with the Allowable Cost and Payment clause.
- (g) Allowable indirect costs for the period from the beginning of performance until the end of the Subcontractor's fiscal year shall be obtained using the predetermined indirect cost rates and the bases shown in the Schedule.